PHILIPPE LEMIEUX

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Philippe Lemieux

Philippe Lemieux (born August 29, 1999) is a Québéco-Swiss autodidact, writer, and self-proclaimed philosopher interested in Austrian economics, anarchism, and political philosophy.

Praxeology as an Antidote to Hyperreality

Modern economic life no longer unfolds within reality as it emerges from human action. It operates within a constructed order that substitutes itself for real processes. Governments do not engage with the economy as it is lived and experienced. They act upon abstractions that stand in for it. What is presented as analysis is in fact a replacement.

Modern central banks often justify monetary policy decisions by targeting inflation indexes that no longer reflect the real cost of living experienced by individuals. While official statistics may report stable inflation, housing, food, energy, and debt burdens continue to rise for ordinary people. Economic policy therefore begins responding less to lived economic reality and more to statistical representations of it.

This transformation follows the logic of simulacra. Economic representations no longer describe reality but precede and structure it. The map no longer reflects the territory, it produces it. What once served as representation has become autonomous, generating a system in which the real appears only as a residual effect.

This shift develops through stages tied to the displacement of genuine market processes. Initially, economic signs emerge directly from

exchange. Prices, money, and categories reflect real interactions between individuals. Meaning is grounded in action.

The erosion of genuine market truth into a baseless fabrication, stripped of real reference, mirrors the sign-order's four distinct stages: beginning as a faithful reflection of reality, progressing to a perversion, then masking reality's absence, and culminating in pure hyperreality. This transition aligns with the three historical orders of simulacra, moving from the premodern First Order of simple imitation to the modern Second Order where copy and original blur, and finally to the postmodern Third Order where simulation entirely precedes and constructs reality.

As intervention deepens, these signs lose their referent altogether. Indicators and aggregates present themselves as if they originate from the market, yet they are products of imposed structures. What appears as knowledge is no longer derived from action but constructed within a detached framework.

At the final stage, signs refer only to one another, and the economic system becomes entirely self-contained. The distinction between reality and representation collapses as the latter replaces

the former, leaving no external referent for the system’s operations.

In Austrian terms, this distortion of knowledge means that intervention corrupts the information needed for coordination. Prices and interest rates become false signals, creating an interventionist calculation problem where policy responds to indicators generated by prior policy. Economic life thus unfolds within a closed circuit where the simulation precedes the conditions it claims to measure, and the system operates entirely within its own logic.

The consequences are visible across core economic concepts. Inflation is no longer understood as a monetary process linked to the expansion of the money supply; it is reduced to an index, a statistical artifact whose meaning shifts with methodology. Growth is treated as a numerical target rather than a process of capital accumulation driven by savings and time preference. Employment is no longer seen as the outcome of individual choices within labor markets, but as an abstract category detached from actual relations. Economic knowledge becomes the circulation of these constructs, severed from causal explanation.

This process represents a fundamental substitution rather than a mere

misinterpretation. The prevailing system does not simply provide an incorrect description of economic life; it replaces it with a self-referential structure entirely detached from action. What results is a state of hyperreality, where the proliferation of simulation inevitably culminates in state Socialism. This regime, along with its corporative extensions, constitutes the final logical conclusion of the neoclassical abstraction.

Neoclassical economics provides the formal language for this condition. Uncertainty is transformed into calculable risk. Action disappears, replaced by optimization within predefined constraints. Preferences are fixed, knowledge is assumed, and equilibrium is treated as given. The entrepreneurial process, with its uncertainty and discovery, is excluded entirely.

What results is a system that is internally coherent but externally empty. It does not explain economic life. It abstracts from it completely. It is a closed construction that requires no reference to real human action.

Praxeology rejects this from the outset. As articulated in *Human Action*, economics begins with the fact that individuals act. They choose, evaluate, and pursue ends using scarce means. This is not an assumption or a model, it is the starting point of reality.

From this foundation, all economic phenomena follow. Prices are not constructs imposed on reality; they emerge from exchange. They convey knowledge that cannot exist outside the market process. Coordination is not simulated, it occurs through these interactions.

The market is therefore not an approximation, it is the only real economic order. It does not represent coordination, it is coordination. Any attempt to replace it with an external framework or through mathematical models destroys the very process it seeks to improve.

Intervention operates as substitution. It overlays artificial structures onto real processes and displaces them. When authorities attempt to direct production or control prices, they do not correct the market. They impose a different order, one that exists only within its own constructed logic.

Monetary policy illustrates this process clearly. According to Austrian business cycle theory, economic crises do not originate in the market itself but in prior monetary intervention. Central-bank credit expansion artificially lowers interest rates below their market level, encouraging investment projects and patterns of production unsupported by real savings or actual consumer time preferences. What appears as prosperity is

therefore sustained by distorted monetary conditions rather than genuine economic coordination.

When these distortions culminate in crisis, governments and central banks typically respond with additional interventions intended to stabilize the system through asset-price support, bank bailouts, monetary stimulus, and deficit spending. Yet these policies do not eliminate the underlying distortions. They prolong and intensify them by preserving structures created during the artificial boom and delaying the liquidation and readjustment necessary for recovery.

Neoliberal policymakers—constantly attempting to fix perceived “market failures” out of fear of a recession—overlook the fact that recessions are necessary for economic cleansing and readjustment; instead, the simulation takes precedence over reality. Intervention therefore becomes increasingly self-referential, as policymakers react to distortions generated by earlier policy with further rounds of monetary and fiscal management. Economic signals cease to reflect voluntary exchange directly and instead become shaped by accumulated layers of intervention reproducing one another.

As this process continues, the system sustains itself through the constant production of new

constructs. When outcomes diverge from expectations, the framework is not questioned, it expands. The simulation intensifies, hyperreality replaces reality, and state socialism becomes a normality.

Praxeology breaks this closure by restoring the link between economics and action. It reintroduces a referent that cannot be simulated. Action is irreducible; it cannot be replaced by signs or models.

There is nothing to correct in the market as such. Coordination emerges from voluntary interaction. Disorder appears only when this process is displaced. An economy cannot be governed through representations detached from action, it can only exist through the actions of individuals themselves.